

**CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
REGULAR QUARTERLY MEETING
FEBRUARY 6, 2013**

The regular quarterly meeting of the Retirement Board of the City of Middletown was held in room 208 of the Municipal Building on Wednesday, February 6, 2013 at 4:00 pm.

Present: Carl Erlacher, Steve Gomes, Jim Reynolds, Hope Kasper, Chris Bourne

Also Present: Diana Doyle, Tony Gennaro – Union President, Police, Gerry Goldberg & Mike LePore of Wells Fargo

Absent: Rich Simone, Joe Bibisi, Mayor Daniel Drew

NOTE: the regular quarterly meeting on November 7, 2012 was cancelled due to inclement weather.

- Meeting was called to order at 4:10. Minutes from the August 8, 2012 regular meeting were amended:
 - Jim Reynolds stated that he requested information of investment return net of expenses and received no response from the investment people (Gerry Goldberg).
 - Minutes approved as amended by Chris Bourne and seconded by Carl Erlacher with Hope Kasper abstaining because she was not present.
 - Confirmation/corrections to August Minutes:
 - New Amsterdam Amendment – Carl made the motion to Table it with Rich Simone seconding. It was left to Gerry to determine if the Amendment would be executed or rejected and advise the Pension Board at the next regular meeting
 - Requests to Retire – Janet Sebold was incorrectly listed as the employee. She is the beneficiary to Tom Sebold whose request for retirement was submitted at August meeting
- There were no members of the public to comment on the Agenda.
- **Pension Ordinance, Article IV, section 74-39**
 - Changed the language to include “current” in front of the word spouse
 - Hope stated that this was approved at the Common Council meeting on Monday, February 4
 - Carl made motion to accept the change and was seconded by Chris
 - Approved unanimously
- **Disability Pension for Alex Rodriguez, Police** (out of order because of voting and possible loss of quorum)
 - Hope voted to accept the disability pension, Chris seconded
 - Steve questioned if it met the criteria for approval
 - Jim made motion to accept in accordance with the Pension Ordinance and Police contract
 - Tony Gennaro spoke on behalf of Ofc. Rodriguez and of the severity of the injury and thanked the Board on his behalf
 - Approved unanimously
- **Pension Resolution** establishing Retirement Board Committee to determine effect of new GASB rules - specifically, hiring a person or organization to assist with the study. Common Council has \$20,000 budgeted, in current FY, for this purpose
 - Hope commented that this had been submitted to the Common Council where they determined it go to Finance & Government, then to the Pension Board
 - Carl discussed some of the details of the GASB rule changes specifically: disclosure of liability and what rate of return can/should be used; etc.
 - Jim questioned if this was strictly pension, Diana stated that it was GASB 67 & 68
 - Chris stated that the Board has been proactive in the treatment of the Fund and that \$20,000 for a study isn't exorbitant
 - Hope stated Bond Counsel - Pullman & Comley – gave an opinion that the Fund is not a Trust she states that the Ordinance states it IS a Trust
 - Carl states that the City rate of return assumption per the Actuary, the average is 7.9%, net of fees the average is 7.6%. Based on valuation reports back to 1945, the Actuary did the analysis and 7.6 % assumption that the City is using is an actual 20 year average for the plan.
 - Jim suggests and Hope agrees to a Special Meeting to move faster
 - Chris made motion to approve the Pension Resolution to establish a Committee and Hope seconded
 - Approved unanimously

- **Review of Investments**

- Report dated September 30, 2012 page 17, Jim notes the return since inception is 5.7% and states that, assuming this number is gross return because he hasn't seen "net of fees"; he is not convinced that 7.6% is not too high and is concerned about giving mis-information to the Administration when they look at the "richness" of the pension fund. Doesn't believe using 7.6% is correct if not being earned; discusses the Actuary Report and the amount of money being projected in pension system, specifically the high interest rates in 1998 & 1999.
- Carl suggests hearing the consultants opinion, if 7.6% is too high wants to lower it as much as possible
- Gerry states that the consultant is unlikely to weigh-in on specific investment return and will push that back on Committee, Investment Consultant & Actuary
- Jim states that the consultant should not suggest a rate but, should create "language" and that the Actuary, Investment Consultant and Board should determine a "true" or more comfortable rate of return
- Carl states the assumptions are conservative; assumptions include 2.8% CPI, however, FY ended at 1.7%; 7.6% assumption is one of many things considered
- Jim recalls 13 -14 years ago, the Actuary evaluated employees average years of service and annual raises; stated that maybe this needed to be reviewed again

- **Overtime/Stipend Pension Calculations for exempt and non-exempt employees**

- Chris discusses differences in pensionable incomes between Union Members and exempt employees, specifically at the Board of Ed; believes it is a payroll error that has caused some exempt employees to pension out higher than non-exempt employees
- Discussion about the 6% taken for pension contribution by the exempt employees and correcting the problem; question if Board of Ed has right to refund the 6% taken in error

- **Tradewinds Presentation at August meeting, follow-up**

- Gerry apologized to Jim for not sending the investment information he requested at the August meeting
- Gerry gives four options for handling Tradewinds:
 - Terminate Tradewinds, migrate assets to Morgan Stanley ETF Index as a holding place while search for suitable replacement
 - Terminate Tradewinds, keep assets in ETF Index fund
 - Terminate Tradewinds, migrate assets to Philadelphia – looks better than previous to leaving
 - Maintain Tradewinds strategy while looking for suitable replacement
- Gerry feels option #1 is best; Carl questions how quickly a suitable replacement could be found
- Jim/Chris made motion for option #1 seconded by Hope
- Approved unanimously

- **Comments – Gerry will have search results to Carl by next meeting**

- **Treasurer's Report**

- Change ending date – at bottom of page – from September 30 to December 31, 2012
- Approved unanimously

- **Hooker & Holcomb Report**

- Hope motions to accept the Report
- Chris seconds motion to accept report, with amendment that if changes have right to review at March meeting
- Carl questions if this was accepted by Pension Board previously; Hope states that it was last May; Jim wants to wait for next meeting; Hope states that it needs to be approved by Common Council for budgetary issues; Chris suggest waiting until March so each member can review
- Hope states that the decision to accept or not should be made soon to avoid making last minute budget changes
- Approved unanimously

- **Investments**

- Mike LePore reviews page 20 of quarterly report; performance has been consistent with expectations; High Yield portfolio hit benchmark since 2 year inception; points out Pimco Total return specifically
- Discussion about portfolio performance since July 1, 2012

- **Applications for Membership**

- Approved unanimously
- Chris requests that the specific union of the applicants be indicated on agenda

<u>Applications for Membership</u>	<u>Employment Date</u>	<u>Union</u>	<u>Department</u>
Joshua Bellamo	12/24/12	Fire	Fire
Richard DeMaio	11/26/12	466	Public Works
Gerald Flynn III	08/13/12	466	BOE
Jeremy Higgins	08/20/12	466	Public Works
Susan Honer	09/16/12(FT)		Library
Corey Kozuch	08/27/12	Police	Police
Robert Lane	12/10/12		Water & Sewer
Luke Leachman	12/10/12	466	Public Works
Mark Lemieux	08/27/12	Police	Police
Howard Lineberry	07/01/12		Public Works
Randy McKiver	08/13/12		BOE
Connor Mullen	08/27/12	Fire	Fire
David Ribnick	08/27/12	Fire	Fire
Brian Santostefano	11/26/12		Public Works
Regina Schoffstall	09/10/12	466	Tax Office
Dane Semper	08/27/12	Police	Police
Matthew Silvestrini	10/01/12	Police	Police
Brigham Smith	01/22/13		City Attorney
Daniel Spedding	01/02/13	Police	Police
Matthew Tiano	01/02/13	Police	Police
Kori Wisneski	12/17/12		City Attorney

Judy Kudrak

08/13/12

Health

Has opted out of the Pension Fund and will continue to have Social Security withholdings taken from her paycheck.

<u>Requests to Retire</u>	<u>Retirement Date/Dept</u>	<u>Years Emp./Age</u>
MaryJane Allen	11/13/12 Library	24 yrs/71 yrs old
James Rosano	10/25/12 Bd of Ed	27 yrs/57 yrs old
Janet Sebold	11/14/12 Central Dispatch	14 yrs/65 yrs old
Gregory Warren	10/25/12 Public Works	25 yrs/57 yrs old

<u>Retired Employees</u>	<u>Retirement Date/Dept</u>	<u>Years Emp./Age</u>
-NONE-		

<u>Deceased Pensioners</u>
Shirley Bednarz

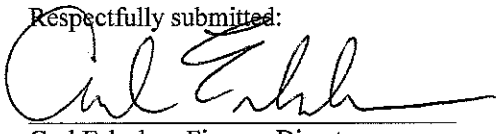
<u>Applications for Refunds</u>	<u>Date of Termination</u>	<u>Amount</u>
James Brewer	09/18/12 Central Dispatch	1,289.46
Scott Colavito	10/19/12 BOE	9,858.04
Tami Kapaczewski	10/18/12 Water & Sewer	28,401.64
Eva Rybitwa	08/17/12 Personnel	11,478.54
Daniel Stanley	09/27/12 BOE	750.88

- Other – Pat Tironi ruling to receive pension from ex-husband in amount of \$604.95 per month for remainder of lifetime or until remarriage
 - City Attorney ruled on this
- Additional Comments: requested by Jim Reynolds
 - Jim met with Mayor to discuss OPEB with intent of creating an understanding, for the Mayor, on how funding works and to recognize the liability in OPEB. Not clear how it will affect budget decisions from Mayor's perspective
 - Jim & Carl met with Tom Serra to discuss OPEB funding and how much money should be there to start increasing funding to comply with GASB requirements.

- Adjournment:

- On a motion by Jim Reynolds and seconded by Chris Bourne, the meeting was motioned to adjourn.

Respectfully submitted:

A handwritten signature in black ink, appearing to read 'Carl Erlacher', written over a horizontal line.

Carl Erlacher, Finance Director

Tracks 167 - 186

City of Middletown

Investment Performance Analysis

Composite Performance

As of December 31, 2012

	Market Value (\$)	% of Portfolio	Ending December 31, 2012							Inception	
			1 Mo (%)	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Plan	326,424,243	100.00	1.57	1.31	5.42	10.66	9.40	4.90	7.17	5.70	Jun-99
City of Middletown Policy			1.03	1.78	5.91	11.69	9.54	4.66	6.94	5.65	Jun-99
CS McKee	63,948,773	19.59	1.45	-2.00	4.81	12.42	8.82	1.33	--	1.67	Dec-06
S&P 500			0.91	-0.38	5.95	16.00	10.87	1.66	--	2.29	Dec-06
New Amsterdam	53,306,674	16.33	3.74	3.81	8.41	21.16	20.74	7.42	11.02	8.13	Jun-99
Russell 2500 Custom			2.61	3.10	8.84	17.88	12.98	3.47	9.40	7.43	Jun-99
Philadelphia	24,803,055	7.60	4.93	8.33	16.05	14.42	2.47	-2.65	--	-0.48	Dec-06
MSCI EAFE			3.20	6.57	13.95	17.32	3.56	-3.69	--	-1.36	Dec-06
Tradewinds International	22,613,698	6.93	3.90	2.43	10.18	6.77	--	--	--	-5.66	Jan-11
MSCI EAFE			3.20	6.57	13.95	17.32	--	--	--	1.53	Jan-11
Oppenheimer Developing Markets	20,039,266	6.14	3.68	4.61	12.11	21.23	--	--	--	-1.52	Jan-11
MSCI Emerging Markets			4.89	5.58	13.75	18.23	--	--	--	-1.79	Jan-11
Ryan Labs	130,665,846	40.03	-0.51	-0.06	0.98	4.53	8.28	--	--	7.59	Sep-08
Custom FI Benchmark			-0.84	-0.05	0.85	3.77	8.77	--	--	7.28	Sep-08
Ryan Labs High Yield	11,046,931	3.38	1.58	2.87	8.24	14.78	--	--	--	10.16	Jan-11
Merrill Lynch High Yield Master II			1.59	3.18	7.95	15.58	--	--	--	9.84	Jan-11